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FM AMEMBASSY JAKARTA  
TO RUEHC/SECSTATE WASHDC PRIORITY 0087  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHRC/USDA FAS WASHDC  
RUEKJCS/SECDEF WASHDC  
RHEHNSC/NSC WASHDC  
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
RUEHJA/AMCONSUL SURABAYA 1481

UNCLAS SECTION 01 OF 03 JAKARTA 011474

SIPDIS

SENSITIVE  
SIPDIS

DEPT PASS USTR FOR KATZ AND BROOKS  
DEPT FOR OES/IET; OES/ETC/TED  
DEPT ALSO FOR EAP/IET  
USDA/FAS FOR US FOREST SERVICE-MACKEY

E.O. 12958: N/A

TAGS: [SENV](#) [ECON](#) [ETRD](#) [PREL](#) [PGOV](#) [ID](#)

SUBJECT: DRAFT MOU ON ILLEGAL LOGGING - EMBASSY JAKARTA  
COMMENTS

11. (SBU). Embassy Jakarta supports the conclusion of a properly-structured MOU on illegal logging between the U.S. and Indonesia. Reducing widespread illegal logging is one of Indonesia's top development challenges, and the issue touches on several core areas of our assistance program, including improving governance, supporting effective decentralization, and habitat preservation. However, given the very high expectations on the part of the Government of Indonesia (GOI), and the reality of scarce foreign assistance dollars, we are concerned that USG implementation plans for the MOU may fall short of GOI desires and fail to make a measurable impact on Indonesia's illegal logging problem. We accordingly recommend USTR develop a clear interagency workplan for activities in 2006-07 given current funding levels prior to passing the draft MOU text to the GOI--if presented in tandem with the draft MOU, this document help attenuate inflated GOI expectations. At the same time, we recommend dropping the annex from the text to further reduce expectations. The proposed MOU is the highest profile USG intervention on illegal logging in many years, and unless we are able to release a credible workplan for the MOU when we announce it, we face a very real risk of negative press coverage from Indonesia's feisty media and environmental NGOs. If current funding levels do not permit a robust workplan at this time, we recommend scaling back the MOU to reflect only those areas for which financing is available. End Summary.

Implementation is Key  
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12. (SBU) Widespread illegal logging causes major ecological problems in Indonesia and stands as one of Indonesia's core development challenges. The scale of the problem is enormous: illegal logging occurs over broad swaths of Indonesia, involves a complex array of political and economic forces including the military, police, and local governments, and has an equally complex international component involving Southeast Asia, China, the U.S. and other end destinations for products made from Indonesian timber. At least a half dozen GOI agencies have a role in combating illegal logging, but none does it effectively.

13. (SBU) A number of international donors have active programs on illegal logging in Indonesia, most notably the EU, Germany, the UK and Japan. The GOI has also shown

renewed commitment to combat illegal logging under President Susilo Bambang Yudhoyono (SBY), with Presidential Instruction 4/2005 serving as an umbrella directive to all GOI agencies involved on the issue. However, by most accounts, there has been very modest progress to date reducing the volume of illegally harvested timber, and public pressure on the GOI to show results is rising.

¶4. (SBU) In this context, many of our interlocutors in the Ministry of Forestry (MOF) and other agencies have seized upon USTR's proposed MOU as an important new tool in their fight against illegal logging. This perception has been fueled by the lengthy bilateral discussions about the MOU to date, and the considerable amount of press attention it has received. The GOI clearly wants a substantive MOU with the U.S. that will make a real difference and can be leveraged to generate broader international support and resources--goals the Embassy strongly supports.

#### Existing MOUs Set Poor Precedents

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¶5. (SBU) GOI officials do not hesitate to express their disappointment with existing GOI illegal logging MOUs or joint announcements with the UK, China, Japan and Malaysia. They characterize the agreements as general and lacking in specific concrete commitments and programs. At a January 18 conference for the diplomatic community on combating illegal logging, Ministry of Forestry (MOF) Director General for Forest Protection and Nature Conservation Arman Malolongan dismissed these MOUs as ineffective and chided China specifically for lacking political will and capacity to follow through. During our June 22 illegal logging MOU

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digital video conference with Indonesia, MOF Director General for Forest Production Hadi Pasaribu restated these complaints. A recent article in the Far Eastern Economic Review noted that "unfortunately, little action has resulted" from Indonesia's illegal logging MOUs.

¶6. (SBU) We need to keep our MOU from being put in the same box. The Indonesian environmental NGO community is monitoring our MOU negotiations closely and has its own high expectations. For instance, a June 2006 Environmental Investigation Agency/Telapak report gives some praise to draft preliminary U.S. objectives for the MOU, but stresses that they need to be "backed by US funds and technical support."

#### Competing Foreign Assistance Priorities

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¶7. (SBU) The USG has not been a major donor in illegal logging for the last five years. In FY 2007 and 2008, Jakarta-programmed assistance funds managed by USAID will flow to a number of equally (or more) pressing development issues, several of which are also Presidential Initiatives in their own right. These include basic education, water for the poor, health (infectious diseases--including Avian influenza, HIV-- and maternal and child health) democracy, and economic growth. In fact, the overall assistance budget (all accounts) does not include funds for activities such as those outlined in the MOU text or previous annex.

¶8. (SBU) The only existing mission program related to combating illegal logging is the congressionally directed program to safeguard currently viable wild orangutan populations in Indonesia. A portion of the program addresses law enforcement as it relates to immediate and urgent threats to orangutans, including from illegal logging, in selected high priority habitats. The \$2 million program in FY 2007 (of the total \$8 million program over three years), will include communities residing in and around protected area boundaries as important partners in law enforcement and will explore potential opportunities to

effectively address law enforcement issues at the national level given resources available. However, this program focuses on specific habitat areas and does not address the complex, nationwide issues related to illegal logging.

#### Importance of Managing Expectations

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¶9. (SBU) Given the very modest USG assistance in areas related to illegal logging in FYs 2007-08, and high GOI expectations, it will clearly be a challenge to identify a credible package of low-cost activities that could take place after the MOU is signed that would in turn make a measurable impact on Indonesia's illegal logging problem. Embassy Jakarta, as well as several Washington agencies, objected to an annex attached to an earlier draft of the MOU because it contained a number of "unfunded mandates." A blank annex is also not a solution for managing expectations, because its presence reinforces the impression that the USG has ambitious implementation plans up its sleeve that to our knowledge, do not exist.

¶10. (SBU) Given current funding levels and the very general nature of the obligations in the draft MOU, we see the development of a focused and practical workplan of low-cost initiatives as a crucial exercise for Washington agencies to undertake prior to passing the draft MOU to the GOI. We encourage Washington agencies to give special consideration to activities that have assured funding and that would benefit the MOF, the lead GOI agency on the MOU. Nevertheless, time is of the essence. Unless we are able to present an initial draft of a workplan in tandem with the draft MOU, and finalize it by the time we conclude the MOU, we see a risk that this worthwhile initiative could backfire. Indonesia has a very active and critical environmental NGO movement that is deeply involved in the fight against illegal logging and has shown itself capable of garnering favorable press coverage. Once the draft MOU

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is passed to the GOI, the risk of leaks to the NGO community will rise, with which the GOI has not consulted.

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